

Michigan Sugar Company Electric & Gas Usage

Electric Energy at MSC facilities

- Bay City facilities supplied by CE - (a small amount by Bay City L & P)
- Caro supplied by DTE
- Carrollton by Consumers Energy
- Croswell supplied by Croswell Utilities
- Sebewaing supplied by Sebewaing Light & Water

Aggregate of Electric Usage:

Cost

• Factory\P&W	\$11,376,217
• Agricultural (Piling stations)	440,479
• Admin	<u>28,000</u>
Total for 2017	\$11,844,696

According to the MPSC data, Michigan has the highest electric rates in the Midwest, and is well above the US average.

- Consumers Energy has 18% of its electric load on the Electric Choice waiting list and DTE Electric has 9%.
- Michigan Sugar has been in the queue since choice started waiting for the opportunity to participate in the Electric Choice program. If allowed to participate our estimated annual savings would be over \$1,354,600
- Michigan Sugar would like to know where and how the significant additional revenue DTE and Consumers Energy collected in Stranded Cost and Securitization surcharges were spent. We ask that Michigan utilities be accountable for Distribution Reliability.
- Since 2008 what portion of the additional charges passed on to customers in rate cases increases that were allowed - addressed infrastructure issues? In just the past 16 months power outages and interruptions have cost Michigan Sugar Company close to a half million dollars. Detail of power interruptions attached.
- Michigan Sugar supports the addition of independent power plants in Michigan, like the proposed Competitive Power Ventures facility near Fowlerville.
 - This single new plant could allow up to 66% of those in the Electric Choice waiting list to obtain market-based power.

MSC Gas Usage and Rate Case Request Impact

Michigan Sugar Company's gas usage and supply line costs are approximately \$22,000,000 annually depending on the current cost of gas.

- Consumers Energy (CE) filed their 4th gas rate case in the last 4 years on 10/31/17.
- In the last 3 gas rate cases Consumers Energy requested a total of \$263.5M in annual increases. As a result \$114.2M. of gas rate increases were approved.
 - Annual Impact of rate increases to Michigan Sugar
 - U-17643, 1/13/15 \$284.5K increase or 14%
 - U-17882, 4/21/16 +/- No Change, 0%
 - U-18124, 7/31/17 \$589.1K increase or 25%
 - **Total last 3 cases, \$873.6K increase or 42%**
- In their most recent gas rate case filed on 10/31/17, U-18424, Consumers Energy is requesting a \$179,200,000 annual increase.
 - Estimated annual impact to Michigan Sugar, \$651.1K, 22%, based on 1/5/18 revised proposed rate structure.
 - If this case were approved as proposed, it would make the combined increase \$1,524.7K, 73% since 2014.
- Michigan Sugar held a meeting with senior level Consumers Energy representatives to discuss these increases on 1/17/18. CE agreed to get back to us on several unanswered questions and we are anxiously waiting for the requested information.

- As a partner with my brother and sons in a farming operation that owns and operates a grain storage and drying system the impact of increasing electrical gas rate charges combined with low commodity prices only adds to the financial stress producers are already dealing with currently.
- Savings on both electricity and gas costs would provide help to agricultural producers and processors during these tough times. This is especially important for young farmers such as my two sons who are trying to get established as the future generation in farming.

MSC is in support of HB 5387.

Cost Impacts of Power Interruptions

Basis:

Campaign costs = approx. \$19/Ton to process beets (MSC company average)

Delay in slice adds more time/days at the end of campaign

Difference in sugar recovery between fall and end of campaign = approx. 30 lbs/Ton

Cost Impact:

Over past 16 months the 4 factories have incurred 20,460 Tons of lost slice due to power interruptions

20,460 Tons x \$19 = \$388,740 extra cost to process

Using an average of 15 lbs/Ton lower sugar recovery

20,460 Tons x 15/100 x \$35/cwt = \$107,415

Power outages and blips shut down control systems, pumps and other devices causing additional juice and sugar loss over and above the simple \$107,415 recovery loss shown above. This "drain" loss is many times this recovery loss and would increase sugar losses an additional \$300,000 - \$500,000 per year.

For perspective, \$500,000 is equivalent to 14,300 cwt of sugar, or 0.11% of total production.

When tanks overflow to the floor (and drains lead to the wastewater holding ponds) plus the Company at risk of exceeding environmental discharge limits - both Air and Water quality standards.

Summary:

Direct cost basis (past 16 months) = \$496,155

Indirect/additional unmeasured sugar losses (12 months) = \$300,000 - \$500,000